

Aldebaran Commodities B.V. Peanut Market-report

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€/ \$ 1.33.

Dear Client,

We are looking at a rather stable peanut market today. Prices have to changed much over the last weeks and forecast is that no major changes will take place in the weeks ahead of us. But the fact that we expect the prices to remain stable, does not mean we consider this a low maintenance market.

What we have noticed is that buyer's are reluctant to cover well in advance, and that has the risk that no goods are being shipped from origin. As a result we have seen already that the spot market is relatively firm, due to lack of availability.

Argentina seems to be heading for a good crop quality wise, but still needs some favorable weather to get the total crop save in the barn. The size of the crop will be in line with the planted acreage, and that should give a total crop of about 350.000 tons kernel basis. As we know from export statistics from the past, the potential demand for Argentine peanuts is a lot bigger. The general idea from the origin is that Runner 40/50 cpo should be priced at US\$ 1.250,00 C+F basis, each count bigger/smaller US\$ 20,00 difference and US\$ 100/110,00 per ton premium for blanched. There are arguments in favor of this price, as well as arguments against it.

If we consider prices of other commodities, peanuts are still relatively cheap compared with 10 years ago. We have been spoiled with a US\$ rate against the € around 1.50, but even with today's rate price in Euro's is not at record high. The argument seems to be more that buyer's will only take a decision to buy if they are absolutely sure that they will need to goods, and not make a decision with a view on the market and historic demand. If we consider the actual cost for shellers there should be not much room for lower pricing. Energy cost are increasing again, as well as (ocean) freight charges. At the other hand, if buyers keep on showing their poker-face, some sellers might be tempted to sell at least part of their position at lower levels. Buyers would like to buy at US\$ 1.250,00, but delivered to their door. And the cost involved from C+F to DDP have increased over the years and this creates a gap between sellers and buyers.

Argentina's only competitor in the market is lack of demand, not another origin. On raw Usa Runners would come close. Current FOB price of US\$ 0,50 per lbs translates into CIF European Main port price of around US\$ 1.260,00 per ton. But on blanched Usa is not competitive with blanching premium of about US\$ 250,00 per ton. Market on Usa is still relatively low due to the fact that there is still 2008 crop available as backup. But as soon as domestic market in the Usa realizes that the 2009 crop was not that big and that planting intentions for the 2010 crop are also not very progressive, we could see a rise in price later this year.

China has not been able to play a major role in the European market so far this year. At the beginning of the 2009 crop prices were extremely high, scaring away any possible interest. Prices have come down a little on Virginia big sizes, but still – shocking – high on Hsuji type and Redskins. On blanched Virginia's drop in price has been most significant, 25/29 blanched are now being offered in the region of US\$ 1.350,00 CIF. But raw 24/28 is still high at US\$ 1.420,00 and Hsuji 40/50 cpo at US\$ 1.480,00 CIF Rotterdam basis. And we have to see for how long China will be able to offer these prices, since rumor has it that CIQ will consider export stop to Europe again as from 1st of June till 1st of November. That would mean that the peanut market in general will have lost a large volume of Virginia's this year, compared to last year.

South Africa should harvest a crop of about 90.000 tons kernel basis this year, and that means that there should be a good volume that they can “swap” for export. Total domestic demand is over 100.000 tons, but South Africa is able to take goods from their neighboring countries as well as Argentina for their domestic demand and export part of their own crop at a premium to Japan and Europe. From the 2009 crop from South Africa not too much left available, last parcels are being traded in the region of US\$ 1.450,00 CIF equivalent. For 2010 crop price slightly lower, indicated around US\$ 1.430,00 CIF for 60/70 cpo.

Inshell market is very quiet, but that is nothing new in this time of the year. There is still some Chinese Inshell available, but at around US\$ 1.550,00 FCA Rotterdam basis. Egypt is sold out for 2009 crop, and new crop will become available only in November again. Usa is not offering any inshells for export.

Market on birdfeeding is slow, possible due to very warm spring in Europe. Sourcing peanuts specifically for birdfeeding is becoming more and more difficult due to the strict import rules. That makes it difficult to create a big difference between the birdfeeding market and the edible market. India is not really offering at the moment and African origins will not make it past the border control. Will have to see how this segment of the market will develop towards the new winter season. Normally buying starts already in July to make all the preparations.

In general we see that the market still suffers from the financial crises that also hit the peanut market at the end of 2008. Market is really quiet, and this could mean that there is a real drop in demand from the side of the consumers. Especially for roasted salted interest is low, main interest at the moment for peanutbutter.

For a lot of companies financing is still very difficult – especially in Eastern Europe - , and that is limiting the outlet for peanuts. There has been a greater concentration of peanut industries in Europe in the recent years, and the current larger players will be able to meet all possible demand that is present in Europe. For smaller independent producers it will be difficult to compete, without calculation with a straight loss.

But every market has room for opportunities, and we hope to help you create these opportunities for your business.

Please inform us about your ideas on the market, and we will try transform these ideas into real deals.

Regards,

Paul and Menno